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URBAN QUEBEC MINES LIMITED

Annual Report

FOR THE YEAR ENDED DECEMBER 31, 1968

URBAN QUEBEC MINES LIMITED

OFFICERS	FRED A. BOYLEN	- - - - -	<i>President</i>
	G. D. PATTISON	- - - - -	<i>Vice-President</i>
	R. D. BELL	- - - - -	<i>Secretary-Treasurer</i>
	J. P. BRISBOIS	- - - - -	<i>Asst. Secretary-Treasurer</i>
DIRECTORS	R. D. BELL	- - - - -	Toronto, Ontario
	FRED A. BOYLEN	- - - - -	Toronto, Ontario
	J. P. BRISBOIS	- - - - -	Toronto, Ontario
	D. A. CALDWELL	- - - - -	Toronto, Ontario
	G. D. PATTISON	- - - - -	Aurora, Ontario
AUDITORS	THORNE, GUNN, HELLIWELL & CHRISTENSON	- -	Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	THE PREMIER TRUST COMPANY	- - - - -	Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET W.	- - - - -	Toronto, Ontario

URBAN QUEBEC MINES LIMITED

Suite 509, 25 Adelaide Street West
TORONTO 1, ONTARIO

DIRECTORS' REPORT

To the Shareholders,
URBAN QUEBEC MINES LIMITED.

Presented herewith are the financial statements of your Company for the year ended December 31, 1968, with Auditors' Report thereon dated April 16, 1969.

During the year 1968 the Company acquired an option to purchase the mineral rights on parts of Lots 13 and 14 lying north of the York River in the 11th Concession, in Dungannon Township, Hastings County, Ontario, and staked a contiguous group of eight unpatented mining claims located about $\frac{3}{4}$ of a mile west of the optioned property.

The optioned property in Dungannon Township has been under development since last June and has been investigated by scintillometer and magnetometer surveys, surface prospecting, trenching, preliminary bulk sampling and a limited footage of diamond drilling. In his report dated November 27, 1968, Mr. F. C. Knight, B.Sc., P.Eng., recommended further exploration work consisting of rock trenching, bulk sampling and analysis, further prospecting and two thousand feet of diamond drilling. The target for this exploration is an area 1,200 feet long by 700 feet wide which contains several uranium bearing dykes from 12 to 60 feet in width. Bulk samples taken so far range from $\frac{3}{4}$ lb. to 4 lbs. of U_3O_8 per ton but the overall grade of the individual dykes has not yet been determined.

The Company continues to hold ten unpatented contiguous mining claims located in Eldorado Township, Porcupine Mining Division, Ontario, on which electromagnetic and magnetometer surveys have been completed. In his report dated November 11, 1968, Mr. K. H. Darke, B.A.Sc., recommended further exploration work including geophysical work, geological mapping and diamond drilling.

Exploration work is continuing on the Dungannon Township and Eldorado Township properties.

Your Company's 15 claim group in the Cold Branch Brook area of New Brunswick, adjacent to the east of the property of Key Anacon Mines Limited, has been surveyed and brought to mining lease.

During 1968, 450,261 shares of capital stock were issued pursuant to a rights issue to shareholders from which \$67,539 was realized by the Company. Subsequent to the year end a further rights issue realized \$85,158 from the issue of 532,237 shares.

To provide for possible further financing through the sale of treasury shares it is proposed to make application for Supplementary Letters Patent increasing the authorized capital of the Company from \$4,000,000 to \$6,000,000 by the creation of an additional 2,000,000 shares, par value \$1.00 each, ranking on a parity with the existing shares of the Company.

Shareholders will be asked to vote on this matter at the forthcoming Annual and General Meeting of Shareholders.

On behalf of the Board,

FRED A. BOYLEN,
President.

Toronto, Ontario,
June 3, 1969.

URBAN QUEBE
(Incorporated und

BALANCE SHEET

(with comparative figures)

ASSETS	1968	1967
CURRENT ASSETS		
Cash	\$ 4,686	\$ 967
Short-term deposit and accrued interest	35,125	20,316
Account receivable	1,205	630
Accountable exploration advances to a director		1,085
Prepaid expense	105	105
	<hr/> 41,121	<hr/> 23,103
CAMP EQUIPMENT, at cost	2,500	
MINING CLAIMS AND OPTION, at cost (note 1)	138,790	136,390
DEFERRED EXPLORATION EXPENDITURES	495,276	454,403
	<hr/> \$ 677,687	<hr/> \$ 613,896

AUDITO

To the Shareholders of
 Urban Quebec Mines Limited

We have examined the balance sheet of Urban Quebec Mines Limited as at December 31, 1968, and the statement of financial position as at that date, and the accompanying statement of changes in equity and statement of cash flows for the year then ended. We have also examined the statements of income and expenses and the statement of retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards.

In our opinion these financial statements present fairly the financial position and application of its funds for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Canada,
 April 16, 1969.

MINES LIMITED

(Under the laws of Ontario)

— December 31, 1968

as at December 31, 1967)

LIABILITIES

	1968	1967
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 22,382	\$ 600

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)

Authorized — 4,000,000 shares, par value \$1 each		
Issued — 3,115,261 shares (1967, 2,665,000 shares)	3,115,261	2,665,000
Deduct discount thereon	1,914,717	1,531,995
	<hr/> 1,200,544	<hr/> 1,133,005
DEFICIT	<hr/> 545,239	<hr/> 519,709
	<hr/> 655,305	<hr/> 613,296
	<hr/> \$ 677,687	<hr/> \$ 613,896

Approved by the Board:

FRED A. BOYLEN, Director.

G. D. PATTISON, Director.

REPORT

December 31, 1968 and the statements of deferred exploration expenditures, deficit, Our examination included a general review of the accounting procedures and such tests circumstances.

the company as at December 31, 1968 and the results of its operations and the source adopted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

URBAN QUEBEC MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

Year ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Assays	389	230
Consultant's fees	2,850	1,350
Diamond drilling	19,642	2,870
Government fees and taxes	1,646	1,511
Supervision	2,000	
Supplies	1,056	87
Survey	6,505	
Transportation and field expenses	4,267	1,316
Wages	2,222	415
General expenses	401	51
Expenditures for the year	40,978	7,830
Expenditures written off to deficit	105	
	40,873	
Balance deferred at beginning of year	454,403	446,573
Balance deferred at end of year	<u><u>\$ 495,276</u></u>	<u><u>\$ 454,403</u></u>

Summary

Location of claims	Balance deferred at beginning of year	Expenditures for the year	Balance deferred at end of year
Cardiff Township, Ontario	\$ 23,332	\$ 309	\$ 23,641
Cosgrave Lake Area, Ontario	82,229	216	82,445
County of Gloucester, New Brunswick	96,826	2,395	99,221
Dungannon Township, Ontario		19,311	19,311
Eldorado Township, Ontario	393	17,739	18,132
Urban Township, Quebec	251,623	903	252,526
	<u><u>\$ 454,403</u></u>	<u><u>\$ 40,873</u></u>	<u><u>\$ 495,276</u></u>

URBAN QUEBEC MINES LIMITED

STATEMENT OF DEFICIT
Year ended December 31, 1968
 (with comparative figures for 1967)

	1968	1967
Deficit at beginning of year	\$ 519,709	\$ 505,926
<i>Add:</i>		
Administrative expenses for the year	25,425	13,783
Exploration expenditures written off	105	
Deficit at end of year	<u>\$ 545,239</u>	<u>\$ 519,709</u>

STATEMENT OF ADMINISTRATIVE EXPENSES
Year ended December 31, 1968
 (with comparative figures for 1967)

	1968	1967
Directors' fees	\$ 500	\$ 600
Financing	1,000	
Legal and audit	3,066	800
Management salary	6,000	6,000
Office rent, supplies and services	3,388	1,597
Secretarial and accounting services	3,610	3,735
Shareholders' information and annual report	2,269	878
Transfer agent's fees and expenses	4,171	639
Travel	1,902	440
General expenses	467	372
	<u>26,373</u>	<u>15,061</u>
Deduct interest earned	948	1,278
Administrative expenses for the year, written off	<u>\$ 25,425</u>	<u>\$ 13,783</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1968
 (with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Proceeds from sale of capital stock	\$ 67,539	
APPLICATION OF FUNDS		
Exploration expenditures	40,978	\$ 7,830
Administrative expenses	25,425	13,783
Purchase of mining claims and options	2,400	700
Purchase of camp equipment	2,500	
	<u>71,303</u>	<u>22,313</u>
Decrease in working capital	3,764	22,313
Working capital at beginning of year	22,503	44,816
Working capital at end of year	<u>\$ 18,739</u>	<u>\$ 22,503</u>

URBAN QUEBEC MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1968

	1968	1967
1. MINING CLAIMS AND OPTION		
15 patented claims in Cardiff Township, Eastern Ontario Mining Division, Ontario, acquired for 33,333 1/3 shares and \$7,000 cash	\$ 37,000	\$ 37,000
18 claims in Cosgrave Lake Area, Port Arthur Mining Division, Ontario, held under mining lease, acquired for cash	10,750	10,750
72 claims in the Parish of Bathurst, County of Gloucester, New Brunswick, acquired for cash	2,440	2,440
24 claims in Urban Township, Quebec, acquired for 133,333 1/3 shares and \$25,500 cash	85,500	85,500
10 (14 in 1967) claims in Eldorado Township, Porcupine Mining Division, Ontario, acquired for cash	700	700
8 claims in Dungannon Township, Eastern Ontario Mining Division, Ontario, at cost of staking	400	
Option on patented mining lots, Dungannon Township, Eastern Ontario Mining Division, Ontario (see below)	2,000	
	\$ 138,790	\$ 136,390

Option on Mining lots

By an agreement dated July 23, 1968, the company acquired an option on certain patented mining lots in Dungannon Township, Hastings County, Ontario. As at December 31, 1968 the company had paid \$2,000 under the agreement and subsequent to the year end paid an additional \$500 for an extension of time to exercise its option.

To fully exercise its option the company must pay to the optionor an additional \$7,500 on or before June 10, 1969.

2. CAPITAL STOCK

During the year 450,261 shares of capital stock were issued under a rights issue from which the company realized \$67,539.

Subsequent to the year end under another rights issue 532,237 shares of capital stock were issued from which the company realized \$85,158.

3. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$9,500 for 1968 (\$6,600 for 1967).